

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-07 ISO-00 CAB-02 CIAE-00 COME-00

DODE-00 DOTE-00 INR-07 NSAE-00 FAA-00 /036 W

----- 014556

R 260910Z FEB 76

FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 9164

INFO AMEMBASSY LONDON

AMCONSUL HONG KONG

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E.O. 11652: N/A

TAGS: EAIR, TH, UK

SUBJECT: CIVAIR: RTG-UK AGREEMENT

REF: BANGKOK 4236

1. BRITISH CIVAIR ATTACHE (PETER CORMAK) FEB 26 PROVIDED
FOLLOWING CLARIFICATIONS TO PRESS REPORTS ABOUT RTG-UK AIR
AGREEMENT:

A. THAI AIRLINES WILL BE PERMITTED TO OFFER COMBINED MAXIMUM
OF 7468 SEATS PER WEEK, IN EACH DIRECTION, ON BANGKOK-HONG
KONG AND HONG KONG-TOKYO SECTORS (NOT RPT NOT BANGKOK-HONG
KONG) WITH TOTAL SEATS ON TOKYO-HONG KONG SECTOR NOT TO EXCEED
TOTAL ON BANGKOK-HONG KONG;

B. ALLOCATION OF SEATS BETWEEN SECTORS AND BETWEEN THAI
INTERNATIONAL AND AIR SIAM WILL, OF COURSE, BE LEFT TO RTG;

C. BRITISH ANTICIPATE RTG WILL DIVIDE 7468 SEAT AUTHORIZATION
ABOUT EVENLY BETWEEN TWO SECTORS, WITH RESULT THAT REDUCTION
TO ABOUT 3,500 SEATS ON BANGKOK-HONG KONG MEANS REDUCTION
OF ACTUAL THAI AIRLINE CAPACITY BY ABOUT 60 PERCENT ON THAT
SECTOR. CORMACK SAID THAI AIRLINES HAVE 14 DAYS IN WHICH
TO FILE NEW SCHEDULES BASED ON 7468-SEAT TOTAL.

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D. BRITISH AND HONG KONG AUTHORITIES HOPE TO BRING AIR SIAM INTT EXISTING THAI INTERNATIONAL-CATHAY PACIFIC-SINGAPORE AIR POOL ON BANGKOK-HONG KONG. THEY ASSUME THAT FOR TIME BEING AIR SIAM WILL CONTINUE TO DISCOUNT FARES ON THAT SECTOR, BUT BELIEVE CAPACITY LIMITATION WILL PROTECT ADEQUATELY INTERESTS OF CATHAY PACIFIC.

E. BRITISH REFUSED TO ACCEPT AT THIS TIME THAI INTERNATIONAL PROPOSAL TO DEPLOY TWO ADDITIONAL DC-10'S ON BANGKOK-LONDON ROUTE, BUT AGREED TO RECONSIDER QUESTION IF THAI INTERNATIONAL WILL AGREE TO "COMMERCIAL ARRANGEMENT" WITH BRITISH AIR WAYS ON THAT SECTOR OR UNTIL HMG DESIGNATES CATHAY PACIFIC FOR SERVICE ON BANGKOK-LONDON, WHICH CORMACK SAID MAY HAPPEN SOON.

2. CORMACK SAID PERILOUS FINANCIAL STATE OF AIR SIAM WAS MAJOR FACTOR IN BRITISH DECISION TO LIFT TOTAL FIFTH FREEDOM BAN ON HONG-TOKYO AT EARLY DATE. HE SAID BRITISH CONCLUDED THAT DR. SIRILAK AND OTHERS HOPED TO PROLONG IMPASSE IN EFFORT TO BANKRUPT AIR SIAM, WITH RESULT BRITISH GOVERNMENT WOULD TAKE RAP AS EXECUTIONER OF THAI ENTERPRISE.

3. COMMENT: GIVEN THAI PRESS REPORTS ABOUT AN "END TO THE AIR WAY", THE BRITISH APPEAR TO HAVE ACCOMPLISHED THEIR MAJOR OBJECTIVE--A REDUCTION IN THAI CAPACITY TO AND THROUGH HONG KONG--AND TO HAVE EXTRACTED THEMSELVES FROM THE DOMESTIC POLITICAL PICTURE WITH CONSIDERABLE ADROITNESS. THERE WILL, HOWEVER, IN ALL LIKELIHOOD BE HARD FIGHTING AHEAD BETWEEN THAI INTER AND AIR SIAM INTEREST GROUPS OVER THE LIMITED TRAFFIC RIGHTS AVAILABLE. WHITEHOUSE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AVIATION AGREEMENTS, AIR ROUTES
Control Number: n/a
Copy: SINGLE
Draft Date: 26 FEB 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976BANGKO04383
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760072-0623
From: BANGKOK
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760212/aaaaajnm.tel
Line Count: 93
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 BANGKOK 4236
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 17 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17 MAY 2004 by ellisoob>; APPROVED <06 JUL 2004 by morefirh>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CIVAIR: RTG-UK AGREEMENT
TAGS: EAIR, TH, UK, AIR SIAM
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006